

Village of Volente Finance Report, May 2015

We are now past the halfway mark in this fiscal year, and our budget is shaping up very closely to what we expected. Our Budget, Finance and Administration Committee met on April 28th, to review several items in order to make recommendations to council. You can find the full agenda on our website here: http://www.villageofvolente-tx.gov/vertical/sites/%7BA12E976C-9CE3-4BFC-BC01-DA09425A5BE6%7D/uploads/2015_04_28_Finance_Committee.pdf

The key agenda items at our meeting were:

1. Discussion and Possible Recommendation to Council on the withdrawal from the Capital Metro Build Central Texas Program.

In 2004, Volente agreed to join Cap Metro by election. That gave Cap Metro the ability to collect 1% of our sales tax. As we did not receive services here, we were provided grants under the Build Central Texas program, to go towards road and infrastructure projects. We initially received 2 annual grants, which totaled in excess of our 1% tax collected by Cap Metro. In 2007 (I think) one of those grants was cancelled, and the amount we received was reduced to \$29,000 vs. a tax collection of about \$50,000

Last year, under the direction of our City Administrator, we approached Cap Metro about increasing the level of the grants, as we needed funding for important road projects. After much discussion, they informed us that the grants would be \$60k this year.

Council discussed the issue and decided to explore what it would take to withdraw from Cap Metro, and collect the sales tax our selves.

- 1) We have contacted Cap Metro to ask what is our financial liability to withdraw
- 2) We are talking to legal counsel about the process of collecting the 1% sales tax

Council decided to put the item on the November ballot, as the decision to withdraw has to go through an election. We are in the process of complying with the ballot timelines to have this item included for a vote.

Pros of staying:

Status quo, no action needed

No financial cost of an election and withdrawal liability

\$60k is just over our projection for sales tax receipts this fiscal year

Pros of leaving:

Direct control of our sales tax

No delay in receiving reimbursements, and justifying road work expenses

We will continue to gather the relevant cost information, and make it available to voters. This will allow the discussion on what is in the best interest of Volente and her citizens, before making a decision to vote in November.

2. Year to Date Budget vs. Spending Review.

Our budget appears in fine shape at midyear. Our overall revenues are above projections, thanks to slightly higher property tax receipts, despite lower than expected sales tax receipts. We also had the doubling of the Capital Metro Grant approval to \$60,000, vs. our budgeted expectation of \$29,000, which will go a long way to offsetting our Public Works expenses. Thanks Barbara, for all the efforts in working with Cap Metro. Most of our expenses are in line, with some overruns in Public Works and Outside Services. The committee does recommend some line item transfers, totaling about \$15,000 from areas of the budget where spending was lower than anticipated, to areas where expenses were higher than anticipated. This recommendation will be made to council at the next available meeting. We continue to maintain a healthy reserve of over 2 years of our budget.

3. Discussion and Possible Recommendation to Council on Line Item Budget Transfers.

See above.

4. Review new contract proposal for the City Administrator

The Committee met in executive session, to discuss the proposed contract and Job Description for the City Administrator. The original 2 year contract was set to expire on June 6th. The Mayor was instrumental in creating the new Job Description. The Mayor and Administrator were present at the meeting, to answer questions and give input. I will present the details of the Committee's recommendation to the council at the next available meeting.

5. Discussion of timeline for Planning the Fiscal Year 2015-2016 Budget

Our deadline for adopting a tax rate is September 30th. That means a further meeting of the Committee in July to discuss a preliminary budget, based on the input of needs for

projects from the heads of the other committees and other Council Members. The Committee will then make recommendations to Council, who will take up the discussion of the budget in August. Hopefully, Council will have a detailed preliminary budget with income and expense details, by the end of August. This will allow us to decide on the tax rate for the coming year. Public notice will then be made in the required timeframe, to allow the Village to adopt the budget and tax rate by the required deadlines. Your Volente tax is only 5% of the total property tax you pay, even if actions and decisions here affect the control of development, infrastructure maintenance, and protecting you from outside forces that may encroach on the Village.

Other Items Recently Raised in Council

1) Over 65 Property Tax Exemption

Since 2007, we have given residents over 65 years old a \$45,000 property value exemption for their Volente property tax.

Costs and Benefits of over 65 exemption

	Tax bill on \$300k valuation
Volente tax rate per \$100: 0.13	\$ 390.00
Total Tax Rate per \$100 : 2.46	\$ 7,380.00

Annual homeowner savings in tax, for a \$45,000 exemption: \$58.50, or less than 1% of the total annual tax paid on a \$300,000 home.

Per TCAD certified rolls, we have the following:

2 homeowners claim Disabled person cost to Village \$117.00

51 homeowners claim 65 or Over cost to Village \$2,866.50

1 homeowner claims 65 or Over surviving spouse for a cost to Village \$58.50

Total cost in reduced tax revenues to the Village: \$3,042

Council has the following options:

- Leave the exemption as it stands
- Remove the exemption
- Modify the exemption to address a different social objective

My Opinion

Over 65 exemptions are designed to ease the tax burden on older residents, who may have more difficulty with tax payments. However, in a community like ours, using age to determine which residents pay more tax and which pay less, does not address any ability to pay. We are potentially transferring money from lower income younger families, to higher income retired folks.

If we want to have an outweighed percentage benefit to residents with smaller houses/lower valuations, then we could offer the exemption to ALL residents. For example, we could raise the tax rate to .14 per \$100 valuation from the current 0.13, and give everyone a \$45,000 exemption. That transfers the load to the higher value houses, and will have an outweighed beneficial effect on lower value houses.

Even that would make very little difference on the overall tax bill. For more effective tax relief, we could take the issue to the school district or Travis County or even the Health district or ACC to get a higher over 65 exemption from those taxing authorities. That's where the bigger part of our tax bill begins.

2) Ensuring Accuracy of the Property Tax and Sales Tax Rolls

Staff has been working with the Texas Comptroller's office to ensure that the Village is being properly credited for sales tax payments by residents. Last year, Barbara ensured that the US Postal Service, Google, Amazon and any other national mail order services correctly identify Village properties in their records, so that our sales tax is not credited to another jurisdiction. Staff is also working with the Comptroller's office to ensure that sales tax from Village businesses is properly credited.

During Council's review of land use this year, it was discovered that there may be some properties in the village that the Travis County Tax Assessor (TCAD) does not properly credit to Volente. Staff is also working with TCAD to ensure that any exemptions (farms, timber etc) are properly granted.

Thanks again to the Committee for all their help on these issues. Volente is a better place because of these volunteers who give their time and effort, and work towards building a better community for all of us.

Mark Scott

Mayor Pro Tem

Chair, Finance, Budget and Administration Committee